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IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

AREIAS BROTHERS DAIRY, INC.,

Debtor in Possession.

Tax ID #: 77-0384747
Address: 3621 East Mt. Whitney
Laton, CA 93242

CASE NO.

Chapter 11

DC No.: WW-1

Date: August 17, 2010
Time: 2:00 o'clock
Place: 2500 Tulare Street
Fresno, CA 93721
Courtroom 11
Judge: Honorable Whitney Rimel

**DECLARATION OF MICHAEL CHERNISKE AREIAS IN SUPPORT OF MOTION FOR
USE OF CASH COLLATERAL**

I, Michael Cherniske, hereby declare and represent as follows:

1. The Court has general jurisdiction over this matter pursuant to 28 U.S.C. §
1334. The matter is a core proceeding as defined by 28 U.S.C. §
157(b)(2)(A)(D)(M)(O). The specific relief sought is pursuant to 11 U.S.C. § 363. The
notice requirements are controlled by BR 4001(b). Objections to the Motion will be
controlled by BR 9014 as a contested matter. Notice is provided pursuant to LBR 9014-
1(f)(1)(ii).

1 2. I am the president and chief operating officer of Areias Brothers Dairy,
2 Inc.("Debtor"). I have over 30 years experience as a dairyman. I am familiar with the
3 Motion and budget filed in support of the Motion for Authority to Use Cash Collateral
4 and attest to the fact that the information contained therein is true and correct.

5
6 3. By this Motion, Debtor seeks to grant secured creditors ("Secured
7 Creditors") replacement liens as adequate protection for the use of cash collateral.

8 4. I make this Declaration in support of the Motion for Authority to Use Cash
9 Collateral which I have read and reviewed. I hereby adopt each of the factual
10 allegations in the Motion for Authority to Use Cash Collateral and incorporate them in
11 this Declaration by reference. Except as otherwise indicated, all statements in this
12 Declaration are based upon my personal knowledge, my review of relevant business
13 documents, or my opinion.

14
15 5. The books and records of the Debtor in Possession are maintained by
16 employees of the Debtor. Employees of the Debtor have the business duty to enter the
17 records of the Debtor in Possession accurately at or near the time of the event which
18 they record such information, by or from information transmitted by one with personal
19 knowledge of the event or act. To the extent that information contained in the books
20 and records is computer-generated, the computers used are generally accepted in the
21 Debtor's industry were in good working order at all relevant times.

22
23 6. The first part of this Declaration describes the business of the Debtor in
24 Possession and the developments that led to the filing of a Chapter 11 petition. The
25 second part of this Declaration sets forth the relevant facts in support of the Motion for
26 Authority to Use Cash Collateral. Defined terms used herein have the same meanings
27 ascribed in the Motion.

1 7. Areias Brothers Dairy, Inc. was originally started in 1920 and moved to its
2 current location in 1940. It has been operated by members of the Areias and Alves
3 families for approximately 90 years. The dairy is located near Laton in Fresno County.
4 The dairy real property is owned by the Debtor. At the present time there are 1,546
5 milking cows, 12 bulls, 1,326 head of young stock between three months of age up to
6 calving. This is a closed dairy, meaning that there is extensive use of artificial
7 insemination and that the replacements are raised by the dairy, sometimes utilizing the
8 services of a calf ranch. The Debtor ships its milk to California Dairies, Inc. and
9 receives milk checks on the 1st and 15th of each month. The dairy currently has 17-18
10 employees.
11

12 8. The requested uses of cash collateral for the Subject Period are set out on
13 Exhibit A. This Budget was prepared by myself. It is believed to be a moderately
14 conservative forecast.
15

16 9. In order to continue to operate and formulate a plan, the Debtor has need
17 for use of cash collateral. The Budget prepared and attached hereto as Exhibit A sets
18 out the amount of money needed and for what the money will be used for August 16,
19 2010 through August 31, 2010.
20

21 10. By operating, the Debtor believes that it will produce and generate new
22 accounts that have a value greater than the amount of cash collateral sought to be
23 used.
24

25 11. By virtue of the cash collateral motion, the Debtor seeks authority to use
26 cash collateral of Secured Creditors. The Debtor seeks to use the cash collateral to
27 provide funding needed to operate and maintain the business and to pay critical
28 expenses. It is extremely important that the going concern value of the business be

1 protected. If the Debtor is unable to pay its employees' wages, it will likely lose a
2 substantial part of its work force which will then lead to a devastating loss. It is very
3 important there be no disruption in Debtor's operations. The cows have to be fed and
4 milked several times per day.

5
6 12. Denial of the use of cash collateral motion would not benefit any creditor
7 constituencies, but would cause significant harm to Debtor's business operations.

8 13. The Debtor requests that the Court authorize the use of cash collateral for
9 the period of August 16, 2010 through August 31, 2010, so that it can purchase
10 materials, pay employees, operate its business and otherwise carry on its business
11 affairs.

12
13 14. Pursuant to Bankruptcy Code §§ 361 and 363, as adequate protection for
14 any potential decline in value, the Debtor will provide the secured creditors with a
15 replacement lien.

16 15. By this Motion, Debtor is seeking to grant replacement liens to the extent
17 cash collateral is actually used. Debtor is unaware of any other secured creditors
18 having liens or security interests in the subject cash collateral; however, Debtor seeks
19 authority to use cash collateral of any such creditor, if any, provided the creditor was
20 served with notice of this Motion. The Debtor alleges that the requested use of cash
21 collateral is for and in the best interests of the creditors of the estate.

22
23 16. The Debtor's primary secured creditors are listed on Exhibit A attached
24 hereto.

25 ///

26 ///

27 ///

17. In order to continue to operate Debtor needs to have use of the cash collateral and will be forced to shut down if use is denied. Debtor believes the budget to be accurate and reasonable. Without use of cash collateral Debtor will be unable to pay its rent or its employees.

The above facts are within my personal knowledge and if called upon to testify at any hearing regarding this matter, I would so testify. I am over the age of 18 and I have signed this Declaration this 13th day of August, 2010 at Visalia, California.


Michael Cherniske